



Hog Prices: ↑ Soymeal: ↑
Corn: ↔ CDN Dollar: ↓

Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, January 22, 2015

Forward contract prices opened higher this morning. US cash markets found support in yesterday's trade, with regional markets reporting gains between \$1.50/cwt and \$2.50/cwt. While packers are having little trouble meeting their planned production schedule, their bids have bounced as some producers started shopping cash animals around in an effort to mitigate the bearish trend. Packers have strong incentives to add hours to their schedules with their estimated margins on fresh pork running better than \$30/hog. Support from all of the primal cuts was seen yesterday, but critical to sustaining the recovery in wholesale pork prices are ham and belly value which have made improvements over the last week. Lean Hog futures are experiencing influence from the firmer cash market, with all 2015 contracts making modest gains in early trade. However, the most significant impact on Canadian prices has been the dramatic fall of the Canadian Dollar. In their scheduled policy statement release yesterday, the Bank of Canada surprised the market with the announcement to lower their benchmark interest rate by 25 basis points. In response, the Canadian Dollar lost close to 2 cents against its US counterpart, resulting in a price improvement of \$4.00/ckg in all offered contracts.

Canadian delivered soymeal prices opened higher this morning. For the mid-to-longer term, a bearish sentiment is held by many trading soybeans on thoughts of large production volumes, slowing US demand and a ramping up of the S. American harvest. However, meal prices remain relatively high on strong interior basis levels (albeit weakening slowly) and a weakening Canadian dollar. Nevertheless, the general consensus is that further pressure is expected and that interim rallies are likely technical in nature and could be considered selling opportunities.

Canadian delivered corn prices opened even this morning. There is talk that basis levels are improving in areas of the US but further talk that it may not be enough to entice some US farmers to sell in significant amounts (yet) or that the speculative funds see this as a longer term trend. Weakness in US wheat and soybeans is weighing in on the trade this morning. Unlike soybeans, there is an expectation that corn will see some support, especially if a shift in expected planted acres from beans to corn materializes and export demand picks up.

US Slaughter	
431,000	Wednesday
413,000	Wednesday (year ago)
W. Corn Belt	\$70.05
National Price	\$74.92
Daily Sig 3	\$158.88
Daily Sig 4	\$164.56
Thunder Creek	\$160.86
4-Month Fwd.	\$170.01
B of C Ex. Rate (Noon)	
\$1.2085 CAD/ \$0.8274 USD	
Cash Prices Week Ending January 17, 2015	
Signature 3	157.11/71.26
Signature 4	162.00/73.48
h@ms Cash	160.50/72.80
Hylife	159.92/72.54
Thunder Creek	159.00/72.12
ISO Weans	\$66.02 US Avg.
Feeder Pigs	\$83.40 US Avg.
#1 Export Sows (+500lbs) \$40.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig. #3		151.99	153.69 157.66	158.42 161.83	174.14 184.36	182.09 188.90	183.63 189.88	177.05 184.99	161.26 170.35	156.37 163.76	142.04 145.45
Maple Leaf Sig. #4		152.78	152.78 156.95	156.93 159.35	170.50 181.72	179.74 185.23	182.22 187.06	179.36 182.44	161.33 177.60	157.37 163.53	148.01 151.53
Soymeal Winnipeg Delivered	522	505	505	492	492	486					
Corn Wpg, Delivered	184										

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STRENGTH IN NUMBERS

